

# Fairfax County Economic Index

Volume II, Number 9

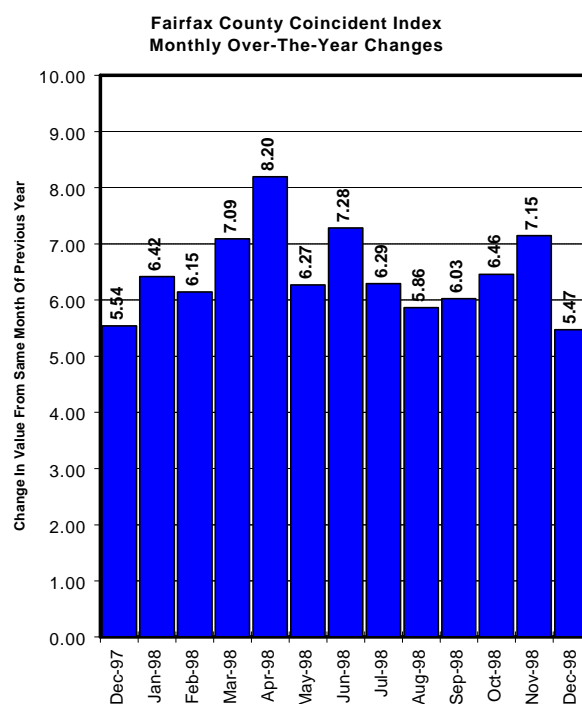
FEBRUARY 1999

## Economy Slows Slightly in December

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 118.35 in December losing 0.37 percent from its November value. This is the Index's first decrease since its two-month slide in June and July. For the year, the Coincident Index was up 4.85 percent for its second largest annual increase since the end of the 1991-1992 recession following the 5.2 percent gain in 1997. In December, three of the Index's four components contributed to its decline.

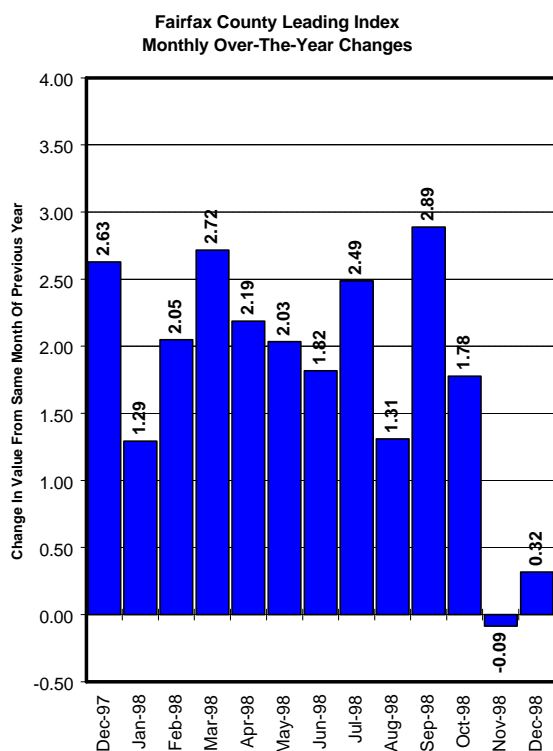
- Total employment fell below its previous month's level for the second month in a row;
- Sales tax receipts, adjusted for inflation and seasonal variation, were down for the second consecutive month; and
- Consumer confidence was down for the third time in the past five months; while
- Transient Occupancy Tax collections, adjusted for inflation and seasonal variation, increased for the fifth month.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, was 105.06 in December, up 0.86 percent from November. With this gain, the Leading Index has



Source: GMU Center for Regional Analysis.

been up in three months since it peaked in July but still remains slightly below its post-recession peak level. For the year, the Index gained just 0.30 percent and has converged with its 12-month moving average during the year's fourth quarter. In December, four of the Index's five components contributed to its gain.



Source: GMU Center for Regional Analysis.

- New automobile registrations were up sharply in December following two monthly declines;
- Initial claims for unemployment insurance decreased (improved) reversing three months of gains;
- Residential building permits increased partially offsetting November's decline; and
- The total value of residential building permits increased for the second time in five months; while
- Consumer expectations (consumer confidence six months hence) declined for the third time in four months.

## CURRENT CONDITIONS

The strength of Fairfax County's economy is seen in its strong job growth over the past year when it added 24,667 new jobs (December to December) for an increase of 5.3 percent. This increase accounted for 35.4 percent of the total employment increase in the Washington

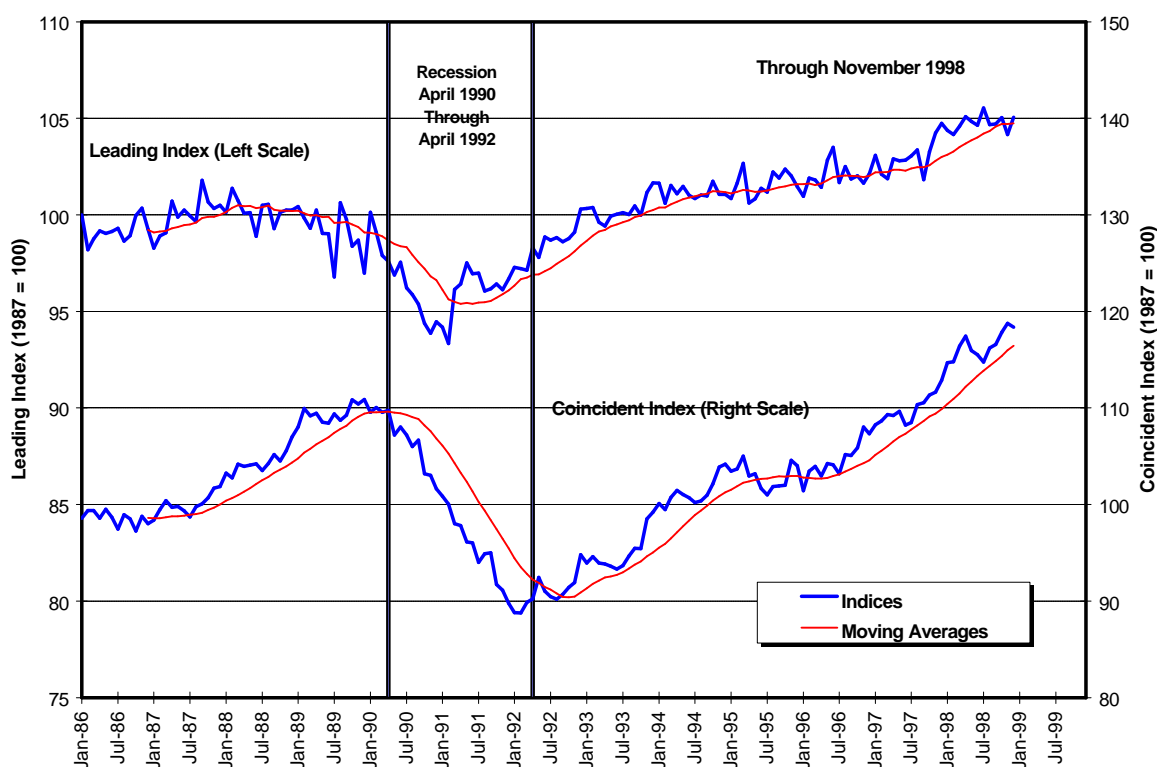
metropolitan area and 31.2 percent of the State's job gain for this period. This same pattern of accelerating job growth is seen in the area economy. These gains have reflected continuing expansion in the private sector with construction and services accounting for most of the new jobs. Additionally, the government job base is expanding in the suburban jurisdictions and federal workforce downsizing has slowed dramatically compared to recent years.

These job gains in both the private and public sectors have continued to drive unemployment lower. At the metropolitan level, unemployment in December dropped to 2.5 percent, down from 3.2 percent in December 1997. This is the lowest unemployment level since December 1989. The suburban unemployment rate stood at 2.0 percent in December, and in Fairfax County, unemployment was 1.4 percent, down from 1.7 percent a year ago. With job growth in the County running above 5.0 percent and labor force growth at 2.5 percent, these low unemployment rates could go lower and further tighten an already tight job market. These conditions will worsen the area's labor shortage and contribute to higher wages and narrower profit margins resulting in slower future growth.

At the national and metropolitan area levels, consumer spending has been the principal source of economic growth over the past year. Nationwide, retail sales were up 5.1 percent in 1998 reflecting the year's strong gains in personal income. Retail sales in the Washington area are estimated to have increased 5 percent in 1998 with durable goods sales gaining 11.7 percent. However, nondurable goods lost 0.9 percent. Retail sales tax receipts in Fairfax County for the year were up a strong 7.9 percent.

Consumer confidence will be a key determinant of future spending levels. Since consumer confidence peaked last July, it has been down in four months including January. In December, consumer confidence stood at the same level as in December 1997. Its weakness over the last half of 1998 and its increased volatility suggests that consumer spending could easily shift lower in 1999 resulting in lower economic growth.

## Business Cycle Indicators -- Fairfax County, Virginia



Source: GMU Center for Regional Analysis.

## NEAR-TERM OUTLOOK

The Leading Index gained back its November decline in December but remains below its peak value attained last July. For five months, the Index has been relatively flat after trending upward since the beginning of 1997. Over its seven-year upward trend since the recession, the Leading Index has had short periods of flat or slightly declining performance where it tracked below its twelve-month moving average. These lulls were followed by an upward spurt and continued strong performance by the County's economy.

The Index's current plateau suggests that conditions affecting the economy's near-term outlook have temporarily softened and should be monitored closely to determine their evolving monthly trend. If consumer confidence and expectations continue to weaken and retail spending slows, the economy's growth will moderate. At

present, the indicators are pointing to a slightly slower but healthy growth trend for 1999.

## INDICES REVISED

With this issue, the Leading and Coincident Indices have been revised to reflect updated consumer price indices and several statistical adjustments involving refinements in data smoothing and trending. No changes were made in the economic indicators incorporated in the original indices.

In order to give the indices greater vertical dimension, the scales have been expanded. This adjustment will make it easier to detect small changes in their monthly performance. As a result of these revisions, the monthly values of both indices and all nine of their components have been recalculated back to 1986.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Dec-98 Prelim.	Nov-98 Final	Dec-97 Final	Nov-98 to Dec-98	Dec-97 to Dec-98
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	118.35	118.78	112.88	-0.37	4.85
Leading Index (1987 = 100)	105.06	104.16	104.74	0.86	0.30
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	488,206	488,654	463,541	-0.09	5.32
<i>Total Covered Employment (Unadjusted)</i>	<i>494,836</i>	<i>490,497</i>	<i>469,836</i>	<i>0.88</i>	<i>5.32</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	367	344	306	6.84	19.79
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>501</i>	<i>494</i>	<i>407</i>	<i>1.39</i>	<i>23.02</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,202	7,738	6,677	-6.93	7.87
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>12,628</i>	<i>9,589</i>	<i>11,821</i>	<i>31.69</i>	<i>6.83</i>
South Atlantic Consumer Confidence	176	178	176	-1.12	0.00
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	6,201	4,847	5,979	27.95	3.71
<i>Automobile Registrations (Unadjusted)</i>	<i>5,401</i>	<i>4,310</i>	<i>5,208</i>	<i>25.31</i>	<i>3.71</i>
Initial Unemployment Claims (Seasonally Adjusted)	701	740	849	-5.20	-17.39
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>684</i>	<i>666</i>	<i>828</i>	<i>2.70</i>	<i>-17.39</i>
South Atlantic Consumer Expectations	105.1	110.0	119.4	-4.45	-11.98
Residential Building Permits (Number of Units, Seasonally Adjusted)	591	498	975	18.66	-39.35
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>447</i>	<i>440</i>	<i>737</i>	<i>1.59</i>	<i>-39.35</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	40,887	37,985	43,822	7.64	-6.70
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>47,118</i>	<i>48,560</i>	<i>49,178</i>	<i>-2.97</i>	<i>-4.19</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	544,194	548,174	537,790	-0.73	1.19
<i>Total Labor Force (Unadjusted)</i>	<i>547,622</i>	<i>544,479</i>	<i>534,423</i>	<i>0.58</i>	<i>2.47</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.60	1.67	1.88	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.40</i>	<i>1.57</i>	<i>1.68</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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*We are on the web at:*  
**[www.co.fairfax.va.us/comm/  
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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